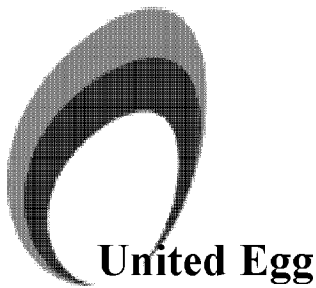


# **EXHIBIT C**



# United Voices

Gene Gregory – Editor

## HIGHLIGHTS OF THIS ISSUE

- \* **Economic Summit**
- \* **USDA Chickens & Eggs Report**
- \* **Grassroot Eggperiences**

### Egg Industry “Economic Summit”

In the past, UEP’s Marketing Committee has reviewed industry statistics and advised all UEP members when it appeared that supply was exceeding demand. With forecast of an increasing flock size at a time when many believe demand has declined prompted UEP to call for an “economic summit” on November 16<sup>th</sup> in Atlanta.

Producers with approximately 200 million hens were in attendance and heard probably the most honest and candid reports of current conditions and trends that have ever been presented in any format. Many attendees have since expressed the opinion that this was UEP’s best meeting of industry economics, ever!

Shell egg producers have in the past, considered demand from only the perspective of consumer demand and looked upon the egg-breaking sector as a market for surplus eggs. With egg breakers having, over the past eight years, processed approximately 30% of all eggs produced, it was time to look upon this sector of the industry as an important customer of shell eggs. Is the egg breaking demand for eggs produced primarily by shell egg producers declining? The “economic summit” took a look at current conditions and trends of this sector of our business.

Low-carb diets and the good news about eggs contributed to an increasing demand for shell eggs. With high prices of the fall of 2003 and spring of 2004, did consumers turn away from eggs or did retailers simply stop featuring eggs? Many producer/marketers believe that a comparison of same store sales currently versus a year ago will point to declining retail sales. The “economic summit” took a look at current conditions and trends in this sector of our business.

Producer prices of 2003 and early 2004 gave the industry confidence in a long lasting economic boom. Producers held hens to older ages and changed other production practices to take advantage of the good times without paying sufficient attention to future trends. Producers began to maintain and build a flock size beyond what demand justified. The “economic summit” took a look at the forecast of the future flock size and egg prices for the coming year.

While it was acknowledged that retail demand might have declined, this is not necessarily good news for retailers, both in terms of volume as well as price. Low retail prices impact retailer’s sales projections, management bonuses, and stock values. The speaker for the retail market said the egg industry needed to do a better job of selling the many benefits of eggs. To promote eggs as a safe food, high in protein, low in saturated fat, the benefit of choline, tasty, versatile, economical, produced by Animal Care Certified farms, etc.

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Information shared by speakers for the egg-breaking sector providing some shocking news about the trends of this side of the business. Among their many observations were the following:

1. The trend in egg breaking/egg products is **in-line production, growth in upper Midwest states, and dedicated supply.**
2. Companies dedicated to egg breaking are becoming more self-sufficient. The trend is that breakers will not be a buyer of shell eggs but instead will likely be a surplus seller of eggs into the shell egg market. A drastic change from the days when shell egg producers could move their surplus into the breaker market.
3. It was estimated that 20 egg breaking companies now have in-line production/breaking and the trend is to follow the shell egg industry by building more in-line systems.
4. The number of layers needed for breaking has increased by 5 million since 2000 while the number of layers in Iowa, of which most are dedicated to breaking, has increased by 16 million and another 5 million will be added during 2005.
5. More than 50% of egg product sales are now negotiated on some basis other than using the Urner Barry quotes.

The “economic summit” exposed a bleak picture of the supply side of the business. With pullets currently in growing houses, we now can predict a layer flock of 13 million more hens in April 2005 than at the same month of 2004 if we do not find ways to dispose of older hens and increase the cull rate. If the hatch of 2005 is the same as in 2004 and we continue the hen disposal (cull) rate of 2004 then we will have a nation’s flock size of more than 300 million hens by the end of 2005 or an increase of about 25 million more hens than during the period of the industry’s highest egg returns of 2003 and 2004. Depending upon whether the industry reacts to the pending problems or not, egg prices were projected to be from 10 to 27 cents per dozen below the annual average of 2003.

Recognizing that it serves no purpose to place blame on someone, many attendees elected to be part of the solution. Of those attending, producers dedicated primarily to shell egg markets and with approximate 100 million hens made their intentions known by stating that they would implement one or both of the following recommendations:

**Option # 1 To dispose of hens that are currently scheduled for disposal between January 1 and April 30, 2005 four (4) weeks earlier than previously scheduled.**

**Option # 2 To reduce their December 1, 2004 flock size by 5% between the dates of January 1 through April 30, 2005.**

Companies making their intentions known during the meeting were:

*Creighton Bros.  
Braswell Foods  
Mahard Egg Farms  
Tampa Farm Service  
Green Forest Egg Co.  
Feather Crest Farms  
Wilcox Farms  
Sunrise Farms of CA  
IVA, Inc.  
National Foods Corp.*

*Cal-Maine Foods  
American Egg Products  
Pearl Valley Eggs  
ISE Newberry  
Hillandale Farms of FL  
Kreher’s Poultry Farm  
Moark LLC  
Ohio Fresh Eggs  
Pilgrim’s Pride*

*Fort Recovery Equity  
Crystal Farms  
Merrill’s Egg Farms  
Randy Nelson Ventures  
Hillandale Farms of PA  
United Egg Marketing Corp.  
Berne Hi-Way Hatchery  
Hickman’s Eggs  
Midwest Poultry Services*

Letters have been sent to UEP members not in attendance advising them of the meeting highlights and asking if they want to make their intentions known that could be part of the solutions.

### **Welcome New Members**

We are pleased to welcome Robert and Judith Aro of Aro's Poultry Farm in Lunenburg, Massachusetts as new UEP members.

We are also pleased to welcome the following companies as new enrollees in the Animal Care Certified program:

Thomas Poultry Farm  
General Farm Service  
George Dept. of Corrections

John Ickes Farms  
Mussman Back Acres  
Aro's Poultry Farm

Some have yet to have completed the animal care certified audit but are expected to do so very soon.

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### **USDA Chickens & Eggs Report**

USDA's reported table-egg type laying hens on November 1<sup>st</sup> was 1.5 million less than UEP had been predicting but still 7.2 million larger than on the same date of 2003.

Pullets hatched during October were 3% greater than the same month a year ago and eggs in incubators on November 1<sup>st</sup> were 27% more than on the same date a year ago.

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### **University of Iowa Laboratories Were Vandalized**

An e-mailer claiming to be a member of the Animal Liberation Front (ALF) has claimed responsibility for extensive vandalism at the University of Iowa's Seashore Hall and Spence Laboratories. The email detailed the type and extent of the damage to the labs and listed names of the psychology researchers targeted. Home addresses and phone numbers were identified of all University of Iowa researchers that ALF believes are engaged in inhumane research of animals.

The vandalism focused on laboratories on a locked floor where animal research is conducted primarily by the behavioral and cognitive neuroscience division of the psychology department. The intruders took an unspecified number of mice, rats and other animals, damaged more than 30 computers, and dumped hazardous chemicals.

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### **Activist May Be Source Of Damage To University of Minnesota Facility**

More than \$1 million in damages to a much-heralded science building under construction on the campus of the University of Minnesota Duluth occurred the same weekend as the vandalism at the University of Iowa. The \$33 million building, which is scheduled to be complete in September, promises to give the university state-of-the-art facilities for students, teachers and researchers in the fields of biology and chemistry.

While no one has come forward to claim responsibility, the Animal Liberation Front (ALF) took credit for \$2 million in damage to two science buildings at the University of Minnesota – Minneapolis campus in 1999.

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### **Humane Society To Merge With Funds For Animals**

The Humane Society of the United States is merging with Funds for Animals and thereby become the largest and richest animal rights organization in the country. HSUS President, Wayne Pacelle said he plans to use the organization's combined budget of \$96 million next year to hire five (5) lawyers for a litigation unit. The organization will focus on inhumane treatment of animals in factory farms and other initiatives. Pacelle said he

would like to further unify the animal rights movement through other mergers, or by creating an umbrella organization that could carry more political clout in Washington.

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### **Grassroot Eggsperiences**

**By Chad Gregory**

My “Grassroot Eggsperiences” this time took me all the way to Germany. The main focus or purpose of this journey was to find solutions to air emissions from layer houses. In Germany, government rules and regulations, as well as the activists have tremendously impacted agriculture. It was recommended to me several months ago that I should take a trip to Germany to see what has happened to them as well as solutions they have implemented to solve their air emission challenges. This trip turned out to be an eye-opening eggsperience in many areas of our industry besides just environment. A great deal was learned on animal welfare, food safety, specialty egg marketing, check-off programs and the history of Germany. Bottom line and the one message that I heard loud and clear was **“don’t let the same things happen to us in the U.S. what has happened to the egg industry and all of agriculture in Germany.”**

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Interestingly, 80% of the eggs that are produced in Germany are still in cages even though in 2006, cages are banned. Also, 30-35% of all the eggs sold in Supermarkets in Germany are from non-caged layers. Aldi’s is the largest supermarket chain and recently they decided to sell only non-caged eggs – more supermarket chains will follow since the industry leader has taken this approach. It is predicted that sometime in the future all eggs sold in supermarkets will be from non-caged production.

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November 22, 2004

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November 22, 2004

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